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BOSTON GLOBE

23 April 1987

Records show CIA may have aided Army unit

Agency tied to contra account

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WASHINGTON - The Central Intelligence Agency apparently had ties with the head of a secret Army unit that set up a Swiss bank account that may have been used illegally to buy weapons for the Nicaraguan rebels, raising new questions about how extensive the spy agency's role was in assisting the contras at a time when US military aid was prohibited.

The CIA link was established yesterday during an examination by The Boston Globe of court documents on the 1986 trial of Lt. Col. Dale Duncan. Duncan headed the secret Army unit, called Yellow Fruit, before it was shut down in 1983 amid allegations of misconduct by some of its members. The account, however, remained open.

A Pentagon source said yesterday that military investigators had begun working "months ago" on the Yellow Fruit case with the special prosecutor looking into the Iran-contra affair. That account did not seem to square with a Pentagon official's statement Tuesday that the Army did not learn of the Swiss account until it was disclosed by CBS News on Monday.

Congressional investigators said they were aware of the account in question before it was reported by CBS. "I was aware of it; I was not surprised," said Rep. Lee Hamilton (D-Ind.), chairman of the House investigating committee.

A CIA spokesman last night referred all questions on Yellow Fruit to the Army, and said the agency was cooperating with investigators. An Army spokesman said, "We're looking at all the issues involved."

Convicted

Duncan, who is serving a 10-year sentence at Fort Leavenworth, Kan., was convicted in 1986 of submitting fraudulent expense accounts relating to Yellow Fruit activities apparently unconnected to the contras. The Army

unit worked through a front company in Virginia called Business Security International, performing counterintelligence and security assignments.

There are references to the CIA throughout the hundreds of pages of Duncan's court records, and they do not explicitly say that the agency was involved in operations with Yellow Fruit. Time after time, however, the connection seems implicit.

Sworn statements by one witness referred to Duncan's having said that "he also carried CIA credentials and . . . that he conducted some operations for that Agency." That account came from William Golden, a warrant officer attached to Yellow Fruit who is now a retired civilian working for the Army at Huachuca in Arizona.

Golden is the person who initially uncovered the irregularities in Duncan's expense accounts. A Pentagon official said Tuesday that Golden had access to the secret Swiss bank account and had told investigators that two others who also did were Lt. Col. Oliver North and retired Maj. Gen. Richard Secord.

Another document, which still bears its marking of "secret" because the case was so sensitive at the time, outlines the steps that were taken once Duncan's misuse of government funds was discovered. At one point, it describes a meeting held about the case in which Golden discusses the case with Col. James Longhofer, who ran the Army division responsible for secret operations.

The meeting took place in Longhofer's office, which according to court documents, was located at CIA headquarters.

In a briefing for reporters Tuesday, a Pentagon official disclosed that military investigators had recently discovered the secret bank account set up by Yellow Fruit. He said an internal probe had produced information indicating that the account was accessible to North and Secord, who was one of North's chief operatives in both the program to sell arms to Iran and to provide the contras with military support.

Special prosecutor

The Pentagon official, who said the case had been turned over to the special prosecutor in the Iran-contra case, said it was not known whether US government

funds were deposited in the account or whether it was used as a conduit for money derived elsewhere. In either event, it raised the specter of the Pentagon being involved in the contra enterprise; and if US funds were used, it would represent a potential violation of a number of laws including a congressional prohibition on military aid to the contras from Oct. 1984 to Oct. 1986.

The Pentagon official, without specifying exactly when, said the account has now been frozen. He added, however, that it had been in operation from the time that the unit was disbanded in 1983 until it was frozen.

The existence of the bank account was first reported by CBS News on Monday. The network said the account was opened at Credit Suisse Bank in Geneva in 1983, apparently in anticipation of Congress halting military aid to the rebels.

In 1985, the report said, \$2.5 million was withdrawn from the account in one day and \$75,000 was used to charter a steamer to transfer arms to the contras. A year later, North, Secord and a third partner, Albert Hakim, bought the ship for about \$350,000 and used it for covert operations that are already under investigation by the special prosecutor.

The special prosecutor and congressional investigators are looking into the CIA's activities in both the Iran and contra operations, and already suspect that William Casey, former director of central intelligence, played a pivotal role in directing the latter. Some investigators also assert North may have answered to Casey.

The link between the CIA and Yellow Fruit provides yet another example of how extensive the involvement may have been by the agency and/or Casey. It has been reported, for example, that the former CIA station chief in Costa Rica, who went by the alias Thomas Castillo, was relieved of his job after an investigation showed he had helped North in coordinating air drops of weapons to the contras.

Honduras contact:

The Globe also reported last month that CIA officers in Honduras were in contact with crew members involved in the air-supply operation, and that one officer trained contras in combat parachute jumping in possible violation of the congressional ban on military assistance.

The Army's special operations unit, which ran Yellow Fruit and other clandestine programs, has had other links to firms connected to the contra-supply effort.

The Globe earlier this month reported that a firm called EAST Inc. was established in 1983 by a North associate, retired Lt. Col. Richard Gadd, to carry out secret missions for the special operations unit. Crewmen employed by the company also flew missions in which they aided the contras in various ways, including by providing them with arms.

Freelance writers Jeff McConnell and John Kelly contributed to this report.
